



# An Analysis of the Role and Contribution of Labour in the Indian Economy During the Colonial Period

Dr. Rakesh Roushan

Assistant Professor, Department of History, Ganesh Dutt College, Begusarai  
Lalit Narayan Mithila University, Darbhanga

\*\*\*\*\*

## ABSTRACT

The colonial period in India brought about a profound transformation in the country's economic structure. While British imperialism established firm commercial and administrative control, it was the Indian labouring classes comprising agricultural workers, artisans, industrial labourers, and indentured migrants who formed the backbone of the colonial economy. This research article examines the crucial role and contribution of Indian labour across various sectors during British rule. It delves into the exploitative nature of colonial capitalism, the evolving dynamics of labour relations, the emergence of new labour classes, and the social consequences resulting from economic subjugation. Drawing upon historical data, contemporary writings, and colonial reports, the study critically explores how Indian labour sustained British economic interests despite receiving minimal compensation and enduring severe socio-economic oppression. The expansion of industries, railways, and plantations under colonial policies reshaped traditional labour structures, increasing workers' dependence on wage labour and exposing them to harsh working conditions and inadequate protections. This economic reorganization not only altered the nature of labour but also led to widespread social dislocation, poverty, and marginalization among Indian workers. The article also highlights the resilience and resistance of these labouring classes, who, despite exploitation and oppression, laid the foundations for early labour movements and demands for rights and justice. Overall, this study provides a comprehensive analysis of how colonial economic policies entrenched inequality and suffering among Indian labourers, underscoring the centrality of their contribution to sustaining the British Empire's economic dominance in India.

**Keywords:** Labour, Colonial Economy, British India, Exploitation, Plantation, Industrial Labour

The Indian labour force played a foundational and indispensable role in the development of the colonial economy under British rule. From the early 18th century to the mid-20th century, British India relied heavily on the exploitation of cheap and abundant Indian labour to fuel the growth of the Empire's economy. This exploitation extended across various sectors, including agriculture, mining, industry, plantations, railways, domestic service, and military recruitment.<sup>1</sup> The British restructured India's traditional economic systems to serve imperial interests, implementing exploitative land revenue systems like the Zamindari system and promoting trade policies that favoured British goods.<sup>2</sup> As a result, countless Indian peasants lost their land, artisans were rendered jobless by the decline of indigenous industries, and many were pushed into wage labour under extremely harsh conditions. Indian workers were employed in multiple fields, often under exploitative and unsafe conditions. In agriculture, many rural farmers were reduced to landless labourers due to heavy taxation and indebtedness. In industrial and mining sectors, workers were subjected to long hours, meagre wages, and dangerous working environments. The expansion of British infrastructure, especially the railways, depended on massive amounts of manual labour, while indentured labourers were shipped in large numbers to colonies like Fiji, Mauritius, the Caribbean, and parts of Africa and Southeast Asia.<sup>3</sup> These migrants worked in plantations and other enterprises in semi-bonded, oppressive conditions, facing racial discrimination and isolation.

Despite being unorganized and oppressed in the early phases, the Indian labour force gradually became aware of its rights and power.<sup>4</sup> With the rise of nationalist movements and increasing social consciousness in the early 20th century, workers began to organize themselves into unions. Leaders like Mahatma Gandhi, Dr. B. R. Ambedkar, Subhas Chandra Bose, and M. N. Roy advocated for labour rights and brought workers' issues into national focus. The formation of trade unions such as the All-India Trade Union Congress (AITUC) in 1920 marked the beginning of organized labour movements.<sup>5</sup> Workers in various sectors started strikes and protests demanding fair wages, better working conditions, and recognition of their rights. In conclusion, the Indian labour force was not merely a passive tool of colonial exploitation but an active contributor to both the construction of colonial India and the resistance against British rule. Their suffering, resilience, and gradual



awakening laid the foundation for modern labour rights and social justice movements in India. The story of Indian labour under colonialism is one of endurance, resistance, and transformation—a crucial chapter in the history of India's socio-economic evolution.<sup>6</sup>

Before the onset of colonial rule, India's economy was primarily agrarian, deeply rooted in village-based production and self-sustaining rural systems. Alongside agriculture, the country had thriving craft industries and artisanal production organized through guilds and caste-based occupations. Labour functioned within traditional social structures, where economic roles were often inherited and localized, ensuring a stable, though hierarchical, economic ecosystem.<sup>7</sup> The production and distribution of goods were managed within regional markets, allowing for a balance between agriculture, crafts, and trade. However, the arrival of British colonial rule profoundly disrupted these established structures. The British introduced capitalist modes of production that emphasized profit, centralization, and large-scale operations over community-based sustainability.<sup>8</sup> With the development of commercial plantations, expansion of mining industries, and the building of an extensive railway network, there emerged a growing demand for a large, mobile, and low-cost labour force. Traditional livelihoods could no longer sustain the population, especially when state policies began to favour British economic interests over indigenous welfare.<sup>9</sup>

One of the most significant colonial interventions was the restructuring of land revenue systems. The introduction of the Permanent Settlement in Bengal, the Ryotwari system in parts of southern India, and the Mahalwari system in the north placed a heavy tax burden on Indian peasants. These systems compelled landholders and cultivators to generate cash revenue instead of subsisting through barter or local exchange, often pushing them into debt and ultimately forcing them to sell their land or become wage labourers. This transition marked a shift from self-employed rural producers to dependent, often migratory labourers.<sup>10</sup>

Additionally, the British systematically deindustrialized India's indigenous crafts sector by flooding the market with cheap machine-made goods from Britain. Traditional artisans, who had once catered to local and international markets, lost their means of livelihood and were often compelled to seek employment in colonial enterprises—especially in plantations, factories, and construction projects. Thus, colonialism not only disrupted India's traditional labour systems but also redefined labour itself—transforming it into a tool of imperial extraction and economic control.<sup>11</sup>

Agriculture continued to be the backbone of the colonial Indian economy and the primary source of employment for the vast majority of the population during British rule. The British colonial administration heavily relied on the peasantry as the main source of land revenue, implementing systems such as Permanent Settlement, Ryotwari, and Mahalwari that extracted fixed taxes irrespective of agricultural productivity.<sup>12</sup> This rigid revenue extraction placed immense financial pressure on peasants, often forcing them into exploitative arrangements such as sharecropping or bonded labour to meet tax demands. Additionally, recurring famines and natural calamities, exacerbated by colonial neglect, led to widespread distress among rural communities. The British emphasis on the cultivation of commercial cash crops like indigo, opium, cotton, and tea further disrupted traditional subsistence farming.<sup>13</sup> Farmers were coerced or compelled to grow these crops, often at the expense of food grains, leading to food shortages and economic vulnerability. This combination of forced cash crop cultivation, high taxation, and land alienation created a growing class of landless agricultural labourers who depended entirely on wages for survival. These agricultural labourers were often subjected to harsh working conditions, low wages, and insecurity, marking a significant shift in rural labour relations under colonialism.<sup>14</sup>

The growth of plantation agriculture in colonial India, particularly in regions like Assam, Bengal, and southern India, marked a significant shift in labour dynamics. The British established large-scale plantations for cash crops such as tea, coffee, indigo, and rubber, which required a steady supply of cheap and largely immobile labourers.<sup>15</sup> To meet this demand, labourers were often recruited through coercive contracts known as indenture agreements, which bound workers to plantations for fixed periods under strict and exploitative conditions. Many of these labourers were forcibly or deceptively recruited from tribal belts, marginalized communities, and impoverished rural areas, uprooting them from their native environments.<sup>16</sup> Working conditions on plantations were harsh and inhumane, characterized by long hours, inadequate wages, poor living quarters, and little access to healthcare. The lack of labour mobility further intensified their vulnerability, as plantation authorities exercised strict control over workers' movements and rights. This system not only entrenched social and economic inequalities but also sowed the seeds for later labour movements and demands for workers' rights.<sup>17</sup>

The rise of modern industries during the colonial period, especially cotton textile mills in Bombay, jute factories in Bengal, and coal mining operations in eastern India, gave birth to a growing urban working class. These industries became hubs of concentrated labour, attracting workers from rural areas who sought employment in the cities.<sup>18</sup> However, the industrial



workforce often faced harsh realities: long working hours, extremely low wages, and unsafe working conditions were common. Labour laws were either absent or weakly enforced, leaving workers vulnerable to exploitation by factory owners and colonial administrators. The lack of regulation meant that workers had little protection against injuries, illnesses, or arbitrary dismissals.<sup>19</sup> Moreover, living conditions in industrial towns were generally poor, with overcrowded slums and inadequate sanitation further contributing to the hardships of industrial labourers. Despite these challenges, industrial labour became a critical component of the colonial economy and later the foundation for organized labour movements demanding better rights and working conditions.<sup>20</sup>

From the mid-19th century onwards, the British colonial administration began recruiting large numbers of Indian labourers for overseas work under the Indentured Labour System. This system emerged as a replacement for the abolished transatlantic slave trade and involved transporting Indian workers to far-flung colonies such as Fiji, Mauritius, South Africa, and the Caribbean.<sup>21</sup> Many of these labourers were deceived, misled, or coerced into signing contracts that bound them to work for fixed periods under harsh and often inhumane conditions. These indentured workers faced grueling labour, poor living conditions, racial discrimination, and little freedom of movement, resembling quasi-slavery in many respects. Despite these hardships, their toil was instrumental in developing the agricultural plantations, railways, and other infrastructure projects that became the backbone of these colonies' economies. The legacy of indentured labour shaped diaspora communities across the world and contributed significantly to the global spread of Indian culture and society.<sup>22</sup>

The construction of railways, roads, canals, and ports was one of the most significant infrastructure developments during British colonial rule in India. These projects were largely dependent on the toil of Indian manual labourers who performed grueling physical work under extremely harsh conditions.<sup>23</sup> The British aimed to create an extensive transport network to facilitate the rapid movement of goods, raw materials, and troops, thereby boosting economic extraction and control. However, the labourers who built these infrastructures were paid minimal wages, often barely enough to sustain themselves and their families.<sup>24</sup> Moreover, the demanding work, exposure to extreme weather, lack of adequate medical care, and dangerous working environments resulted in high mortality and frequent injuries among the labour force. Despite their crucial contribution to India's infrastructural transformation, these workers remained largely invisible and unprotected, highlighting the exploitative nature of colonial development.<sup>25</sup>

Colonial policies deliberately kept labour costs low to maximize British profits. This exploitation can be understood through the following points:

- Absence of minimum wages or social security: There were no legal safeguards to ensure minimum wages or social benefits for workers. Labourers, whether in agriculture, plantations, or industries, had no guaranteed income security during illness, injury, or old age, leaving them vulnerable to extreme poverty.<sup>26</sup>
- Gender and caste-based wage discrimination: Wages were not uniform and were heavily influenced by social hierarchies. Women were generally paid much less than men for similar work, and lower-caste labourers received lower wages than higher castes, reinforcing existing inequalities within the workforce.<sup>27</sup>
- High mortality and morbidity rates in plantations and mines: Working conditions were hazardous and often deadly. Poor sanitation, exposure to toxic substances, lack of medical care, and long hours led to high rates of sickness and death among labourers, especially in plantations and mining sectors.<sup>28</sup>
- Suppression of workers' voices and unions: The colonial government actively suppressed labour movements and unions. Workers' attempts to protest or organize were met with repression, arrests, and violence, ensuring that labourers remained powerless to demand better wages or working conditions.<sup>29</sup>

Overall, the economic value created by Indian labour was disproportionately transferred to British capitalists and the colonial administration. This system entrenched cycles of poverty and debt among Indian workers, who were denied fair compensation for their hard work and contribution to the colonial economy.

By the late 19th and early 20th centuries, the exploitative conditions under colonial rule gave rise to nascent labour consciousness in India. Industrial workers, facing long hours, low wages, and unsafe working environments, began to organize themselves in pursuit of better conditions.<sup>30</sup> Pioneering figures such as Narayan Meghaji Lokhande, often regarded as the father of the Indian labour movement, and B.P. Wadia, played instrumental roles in establishing some of the first workers' unions. The colonial government, under pressure from both Indian reformers and international scrutiny, passed a series of Factories Acts—in 1881, 1891, 1911, and subsequent years.<sup>31</sup> However, these legislative measures were limited in scope and largely intended to placate criticism rather than genuinely improve labour conditions. They provided modest regulations on working hours, child labour, and safety, but enforcement remained weak.



As the national freedom movement gained momentum in the early 20th century, labour movements began to intertwine with broader political struggles. The Indian National Congress, as well as emerging Socialist and Communist groups, increasingly supported workers' rights as part of their anti-colonial platforms. This period saw the rise of larger and more coordinated strikes, protests, and labour unions that challenged not only industrial exploitation but also the colonial political order.<sup>32</sup> The rise of organised labour signified a crucial turning point: workers were no longer passive recipients of exploitation but active participants in shaping India's socio-political future. The colonial system of labour exploitation left deep and lasting scars on the socio-economic fabric of the colonized societies, shaping patterns of inequality and underdevelopment that persisted well beyond the end of colonial rule.<sup>33</sup>

Colonial policies prioritized the extraction of maximum agricultural revenue and raw materials, often at the expense of the rural peasantry. Traditional agrarian structures were disrupted as colonial authorities imposed heavy land taxes, forcibly took over fertile lands, and encouraged cash crop cultivation for export rather than subsistence farming. This led to widespread impoverishment of peasants, many of whom became landless labourers or bonded workers. The rural economy, deprived of investment and innovation, stagnated, and poverty became entrenched in large segments of the population.<sup>24</sup>

The colonial economy's focus on resource extraction and minimal industrialization prompted mass rural-to-urban migration as people sought wage labour in colonial ports, railways, and plantations. However, urban infrastructure failed to keep pace with this rapid influx. The result was the proliferation of overcrowded, unsanitary slums characterized by inadequate housing, poor sanitation, and limited access to clean water and healthcare. These deteriorating living conditions contributed to heightened vulnerability to diseases and social unrest.<sup>35</sup>

Colonial labour policies often exploited existing social divisions or created new hierarchies to control the workforce. Labour recruitment was frequently caste- or ethnicity-based, reinforcing traditional social stratifications and sometimes exacerbating inter-group tensions. Gender roles were also rigidly defined, with women often relegated to the lowest-paid and most precarious forms of labour. Regional disparities were deepened as certain areas became centres of colonial economic activity, while others remained marginalized. This fragmentation weakened social cohesion and posed significant challenges for post-colonial nation-building efforts.<sup>36</sup>

The colonial economic model deliberately suppressed the growth of indigenous industries to protect metropolitan industrial interests. Consequently, industrial development in the colonies remained minimal and dependent on the export of raw materials. Investment in education, skills training, and technological advancement was limited, resulting in a chronic shortage of skilled human capital. This underdevelopment constrained the economic diversification and modernization necessary for sustained growth after independence.<sup>37</sup>

The socio-economic consequences of colonial labour exploitation did not disappear with the end of colonial rule. In many post-colonial societies, entrenched poverty, landlessness, and social inequality persisted, continuing to shape labour relations and economic opportunities. The patterns of fragmented social identities, regional disparities, and underdeveloped industrial sectors inherited from the colonial period posed significant obstacles to achieving equitable and inclusive development in the newly independent nations.<sup>38</sup>

Indian labour played a foundational role in sustaining and expanding the British colonial economy. From agriculture and plantations to railways, mines, and factories, workers contributed immensely to the imperial project. Yet, despite their vital contributions, they were subjected to severe exploitation—often unpaid or grossly underpaid, forced to work in dangerous conditions, and denied fundamental rights and dignity. However, the history of labour in colonial India is not merely one of victimhood; it is also a narrative of resilience, solidarity, and emerging resistance. The formation of early labour unions, participation in strikes, and alignment with the freedom movement illustrate how workers actively challenged colonial oppression. Recognising the historical role and struggles of Indian labour is essential—not only to acknowledge past injustices but also to inform contemporary labour policies and ensure social and economic equity in the present.

## REFERENCES

- [1]. Chakrabarty, Dipesh, *Rethinking Working-Class History*, Princeton, 1989, p. 45.
- [2]. Subrahmanian, K.K., *Labour and Development in India*, New Delhi, 1996, p. 112.
- [3]. Guha, Ranajit (ed.), *Subaltern Studies I: Writings on South Asian History and Society*, New Delhi, 1982, p. 78.
- [4]. Sen, Sukomal, *Working Class of India: History of Emergence and Movement 1830–1990*, Kolkata, 1997, p. 203.
- [5]. Desai, A.R., *Social Background of Indian Nationalism*, Mumbai, 2005, p. 156.



- [6]. Anderson, Michael, "India's Democracy and the Colonial Legacy", *The Indian Journal of Political Science*, Vol. 51, No. 3, 1990, p. 310.
- [7]. Dutt, Romesh Chunder, *The Economic History of India Under Early British Rule*, London, 1902, p. 85.
- [8]. Kumar, Dharma (ed.), *The Cambridge Economic History of India*, Vol. 2, Cambridge, 1983, p. 398.
- [9]. Chakrabarty, Dipesh, *Rethinking Working-Class History*, op. cit., p. 37.
- [10]. Kumar, Bagchi, Amiya, *Deindustrialization in 18th and 19th Century India*, London, 1976, p. 148.
- [11]. Subrahmanian, K.K., *Labour and Development in India*, op. cit., p. 64.
- [12]. Desai, A.R., *Social Background of Indian Nationalism*, op. cit., p. 121.
- [13]. Dutt, Romesh Chunder, *The Economic History of India Under Early British Rule*, op. cit., p. 112.
- [14]. Subrahmanian, K.K., *Labour and Development in India*, op. cit., p. 89.
- [15]. Bagchi, Amiya Kumar, *Deindustrialization in 18th and 19th Century India*, op. cit., p. 134.
- [16]. Roy, Tirthankar, *Traditional Industry in the Economy of Colonial India*, Cambridge, 2007, p. 72.
- [17]. Guha, Amalendu, *Planter-Raj to Swaraj: Freedom Struggle and Electoral Politics in Assam*, Guwahati, 2008, p. 45.
- [18]. Subrahmanian, K.K., *Labour and Development in India*, op. cit., p. 101.
- [19]. Dutt, Romesh Chunder, *The Economic History of India Under Early British Rule*, op. cit., p. 140.
- [20]. Sen, Sukomal, *Working Class of India: History of Emergence and Movement 1830–1990*, op. cit., p. 75.
- [21]. Subrahmanian, K.K., *Labour and Development in India*, op. cit., p. 120.
- [22]. Tinker, Hugh, *A New System of Slavery: The Export of Indian Labour Overseas 1830–1920*, London, 1974, p. 55.
- [23]. Lal, Brij V., *Chalo Jahaji: On a Journey through Indenture in Fiji*, Canberra, 2000, p. 89.
- [24]. Mongia, Radhika, *Indentured Labor, Caribbean Sugar: Chinese and Indian Migrants to the British West Indies, 1838–1918*, Baltimore, 1999, p. 112.
- [25]. Kerr, Ian J., *Engines of Change: The Railroads That Made India*, Westport, 2007, p. 102.
- [26]. Dutt, Romesh Chunder, *The Economic History of India Under Early British Rule*, op. cit., p. 168.
- [27]. Subrahmanian, K.K., *Labour and Development in India*, op. cit., p. 115.
- [28]. Chakrabarty, Dipesh, *Rethinking Working-Class History*, op. cit., 1989, p. 23.
- [29]. Majumdar, D.N., *Indian Labour Movement: Its History, Problems and Prospects*, New Delhi, 1973, p. 106.
- [30]. Thorner, Daniel, *Union and Struggle: Essays on the Indian Labour Movement*, New Delhi, 1976, p. 203.
- [31]. Sen, Sukomal, *Working Class of India: History of Emergence and Movement 1830–1990*, op. cit., p. 53.
- [32]. Karnik, V. B., *Indian Labour Movement*, Bombay, 1974, p. 28.
- [33]. Chatterjee, Partha, *A Possible India: Essays in Political Criticism*, Delhi, 1997, p. 114.
- [34]. Desai, A. R., *Social Background of Indian Nationalism*, op. cit., p. 295.
- [35]. Basu, Aparna, *The Growth of Education and Political Development in India, 1898–1920*, Delhi, 1974, p. 146.
- [36]. David, K. N., *Colonialism and Rural Poverty: The Political Economy of Development in South Asia*, Cambridge, 1988, p. 112.
- [37]. Chakrabarty, Dipesh, *Provincializing Europe: Postcolonial Thought and Historical Difference*, Princeton, 2000, p. 75.
- [38]. Amin, Samir, *Unequal Development: An Essay on the Social Formations of Peripheral Capitalism*, New York, 1976, p. 201.